



# **CITY OF SANTA BARBARA**

## **COUNCIL AGENDA REPORT**

**AGENDA DATE:** January 26, 2010

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** TEFRA Hearing For American Baptist Homes Of The West (Valle Verde) Debt Issuance

### **RECOMMENDATION:**

That Council hold a public hearing and adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving a Tax-Exempt Bond Financing to be Issued by the California Statewide Communities Development Authority to Benefit American Baptist Homes of the West and Certain Affiliates.

### **DISCUSSION:**

The California Statewide Communities Development Authority (CSCDA) is a joint exercise of powers authority formed to assist local governments and non-profits with their financing needs. The City is a member of the CSCDA. It was the CSCDA that issued the Property Tax Securitization Bonds in December 2009 that enabled participating cities to receive the property taxes borrowed this fiscal year by the State of California well ahead of the state-promised repayment date.

CSCDA is assisting American Baptist Homes of the West ("American Baptist") with a debt issuance in an amount not to exceed \$150 million. American Baptist owns and operates eight continuing care retirement communities in California. They also own or manage twenty-five affordable housing retirement communities providing residential units for low and moderate-income seniors. Nationwide, they serve over 5,000 residents in 40 communities. Among the American Baptist properties is Valle Verde located at 900 Calle de los Amigos in Santa Barbara.

According to information contained in their CSCDA application, the funds will be used to refund existing bonds originally issued in 2005 in the amount of \$135 million, of which \$20 million was targeted for improvements to American Baptist's Valle Verde property. Of the total new bond proceeds, an amount not to exceed \$35 million represents new project funds of which a portion will be targeted to Valle Verde.

Under federal and state law, the governing body of any local entity within which bond proceeds are to be spent must: (1) conduct a public hearing and (2) approve the issuance of the debt. Therefore, because the new bond financing will benefit the Valle Verde property, which is located within the City of Santa Barbara, the City Council must hold a public hearing and adopt a resolution approving the debt issuance. Council has held numerous such TEFRA (Tax Equity and Fiscal Responsibility Act) hearings, most recently for the issuance of bonds by California Municipal Finance Authority for the benefit of the Mental Health Association, which was approved by City Council on November 10, 2009.

It is important to understand that the City is in no way associated with the debt issuance and is not obligated to make debt service payments on the bonds. In addition, holding a public hearing and adopting a resolution in no way makes the City a party to the debt issuance. Federal laws governing these types of hearings recognized that non-profit agencies typically do not have the facilities to conduct their own public hearings; therefore, the local jurisdictions were allowed to loan their facilities and process to hold public hearings for the benefit of the issuing agency.

Staff recommends the City hold the public hearing and adopt the resolution approving the issuance of bonds by CSCDA.

**SUBMITTED BY:** Robert Samario, Interim Finance Director

**APPROVED BY:** City Administrator's Office